

Internal Revenue Service
P.O. Box 2508
Cincinnati, OH 45201

Department of the Treasury

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Person to Contact - ID#:

LEGEND

UIL 4945.04-04

B= Name of Organization
C= Geographical Area
x= Grant amounts

Dear :

We have considered your request for advance approval of your grant-making program under section 4945 (g)(1) of the Internal Revenue Code, dated, October 14, 2008.

Our records indicate that B was recognized as exempt from Federal income tax under section 501(c)(3) of the Code and that it is classified as a private foundation as defined in section 509(a).

Your letter indicates that B will be awarding several scholarships in the amount of x per student per year. Students will be selected from high schools located in the C. The Foundation will provide copies of scholarship application forms to various high schools in the region. The selection of recipients each year will be based on the following criteria: (1) a statement demonstrating that the student is or will be a student in good standing at an accredited institution, (2) a statement demonstrating that the student maintains a grade point average minimum of 3.0 on a 4.0 scale, (3) an accounting of any prior grants, (4) a narrative of accomplishments, (5) letters of recommendation, and, in the case of a renewal application, (6) any relevant circumstances occurring since the scholarship was first granted. Preference will be given to need-based applicants within the C and who have suffered severe economic hardships but have nevertheless prospered academically. The scholarship will be given to the students with the understanding that funds will be used for tuition, books, supplies, room and board, and other school related and living expenses essential for the student's attendance at an accredited university or college.

The selection committee consists of the Foundation's Board of Directors, unless the Foundation's Board of Directors seeks out additional individuals for a selection committee. If such a committee is formed, it will be merely advisory in nature, and the Board of Directors will remain fully responsible for all final scholarship decisions. Members of the selection committee or their relatives are not eligible to apply for or receive scholarships from the Foundation. The Foundation will not place restrictions on the selection of scholarship awards based on race or employment status of any potential recipient or relative of the potential recipient. No other restriction will limit application, except that the applicant must be a student pursuing an education to his or her advantage, and the student must demonstrate financial need.

Prior to disbursing funds, the grantee would provide the Foundation with a copy of a letter of acceptance to the educational institution. Once the grantee has enrolled for a semester (or quarter), the grantee would provide the Foundation with a student schedule, showing courses in which the grantee is enrolled and credits for each such course. Following completion of a semester or quarter, the grantee would request from the educational institution a copy of the grantee's grade report for that period, certified by the institution's registrar (or similar recordkeeper). The Foundation, in its scholarship application, has informed applicants that any grantee must maintain a 3.0 grade point average in order to continue to receive scholarship funding. The report to be obtained would be a "verified report" within the meaning of Treas. Reg. 53.4945-4(c)(2).

The Foundation will, whenever possible, make payments directly to the educational institutions. Much of the payment and administration process will be coordinated directly by the Foundation or its agent and the respective scholarship recipient. If a misuse of funds is discovered, all reasonable steps, including litigation, will be taken to recover such funds from the recipient. Upon the discovery of a misuse of funds, the relationship between the Foundation and the grantee who misuses the funds will be terminated immediately and any such funds still payable under the terms of the grant shall be retained by the Foundation. The organization agrees to maintain records which include the following:

- a. Information used to evaluate the qualification of potential grantees;
- b. Identification of the grantees (including any relationship of any grantee to the private foundation), the amount and purpose of each grant; and
- c. All grantee reports and other follow-up data obtained in administering the private foundation's grant program.

Sections 4945(a) and (b) of the Code impose certain excise taxes on "taxable expenditures" made by a private foundation.

Section 4945(d)(3) of the Code provides that the term "taxable expenditure" means any amount paid or incurred by a private foundation as a grant to an individual for travel, study, or other similar purposes by such individual, unless such grant satisfies the requirements of subsection (g).

Section 4945(g) of the Code provides that section 4945(d)(3) shall not apply to individual grants awarded on an objective and nondiscriminatory basis pursuant to a procedure approved in advance if it is demonstrated that:

- (1) The grant constitutes a scholarship or fellowship grant which is subject to the provisions of section 117(a) and is to be used for study at an educational organization described in section 170(b)(1)(A)(ii);
- (2) The grant constitutes a prize or award which is subject to the provisions of section 74(b), if the recipient of such prize or award is selected from the general public, or
- (3) The purpose of the grant is to achieve a specific objective, produce a report or similar product, or improve or enhance a literary, artistic, musical, scientific, teaching, or other similar capacity, skill, or talent of the grantee.

Section 53.4945-4(c)(1) of the Regulations provides that to secure approval, a private foundation must demonstrate that:

- (i) Its grant procedure includes an objective and nondiscriminatory selection process;
- (ii) Such procedure is reasonably calculated to result in performance by grantees of the activities that the grants are intended to finance; and
- (iii) The foundation plans to obtain reports to determine whether the grantees performed activities that the grants are intended to finance.

Based on the information submitted and assuming your scholarship program will be conducted as proposed with objectivity and nondiscrimination in awarding grants, we determined that your procedures in awarding scholarship grants comply with the requirements of section 4945(g)(1) of the Code and that scholarships

granted according to these procedures will not be "taxable expenditures" within the meaning of section 4945(d)(3).

In addition, we have determined that awards made under your procedures are excludable from the gross income of the recipients subject to the limitations provided by section 117 of the Code.

This determination is conditioned on the understanding that there will be no material change in the facts upon which it is based. It is further conditioned on the premise that no grants will be awarded to foundation managers, or members of the selection committee, or for a purpose that is inconsistent with the purpose described in section 170(c)(2)(B) of the Code.

The approval of your grant-making procedures is a one-time approval of your system standards and procedures that will result in grants which meet the requirements of section 4945(g)(1) of the Code. **This determination only covers the grant programs described above.** Thus, approval shall apply to succeeding grant programs only as long as the standards and procedures under which they are conducted do not differ materially from those described in your request.

Any funds you distribute to individuals must be made on a true charitable basis in furtherance of the purposes for which you are organized. Therefore, you should maintain adequate records and case histories so that any or all grant distributions can be substantiated upon request by the Internal Revenue Service.

This determination is directed only to the organization that requested it. Section 6110(j)(3) of the Code provides that it may not be used or cited as a precedent.

You must report any future changes in your grant making procedures. Please keep a copy of this letter in your permanent records.

We have sent a copy of this letter to your representative as indicated in your power of attorney.

If you have any questions, please contact the person whose name and telephone number are shown above.

Sincerely yours,

Robert Choi
Director of Exempt Organizations
Rulings and Agreements